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Seventeenth session
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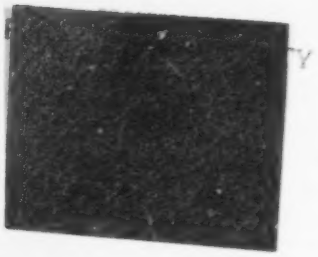

DEVELOPMENT OF HUMAN RESOURCES FOR INDUSTRY

Report by the Director-General

Summary

Provides information on the results of a review of projects for their industrial human resources development (IHRD) content, proposes a reorientation of UNIDO IHRD activities and gives examples of recent projects with IHRD emphasis.

INTRODUCTION

1. The present report has been prepared in response to General Conference resolution GC.6/Res.4 in which the Director-General is requested to report to the General Conference at its seventh session through the Industrial Development Board on the implementation of that resolution.

2. The present report should be read in conjunction with the information on UNIDO activities in favour of development of human resources for industry provided in the *Annual Report of UNIDO 1996* (IDB.17/10, chap. III.D). That text contains detailed information on a number of important technical cooperation activities, strategy and policy advice on industrial human resources development (IHRD), institutional and enterprise-level support, and on applications of the operational instruments for IHRD.

3. The Secretariat took a number of measures to more clearly define the human resources development concept of UNIDO. A review was carried out of projects implemented by the various divisions of UNIDO. The review revealed that in 1996 some 440 UNIDO projects included the theme of human resources development

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and covered areas such as policy advice, institutional capacity-building, entrepreneurship development, investment, environment, standardization and metrology and sector-specific technical training. The study also revealed that the common methodology and approach for the design and implementation of IHRD activities needs to be further strengthened.

4. In the light of the above and given the high priority that the Member States and the Secretariat accord to IHRD, it was considered desirable to consolidate the experience acquired by the Organization over the years into a more focused, integrated and client-oriented programme. To that end, and following the review mentioned above, the IHRD programme is being reoriented into the following five specific products:

(a) IHRD needs assessment and formulation of action plans and programmes;

(b) IHRD institutional capacity-building;

(c) Industrial entrepreneurship development programme;

(d) Technology-based learning opportunities;

(e) Methodology for design and implementation of IHRD training programmes.

5. These programmes would be targeted to the public and private sectors and would also be of direct benefit to bilateral development agencies, non-governmental organizations (NGOs), and human resources development institutions. Collaboration will be intensified with multilateral and bilateral organizations such as the European Union, the International Labour Organization, the United Nations Development Programme, the World Bank and development agencies in donor countries as well as NGOs, regional and subregional organizations, consultancy organizations and national IHRD institutions.

6. It is expected that this approach will bring about more effective planning and development of IHRD at policy, institutional and enterprise levels in the client countries; adjustment of existing or adoption of new policies, strategies and programmes; strengthening of IHRD institutions and consultancy capabilities; improved industry-university linkages; more effective training of trainers; and upgrading of managerial and technical capabilities as well as skills of entrepreneurs. This will lead to increased industrial performance and productivity, income generation and employment and international networking for IHRD.

7. In June 1997, a symposium on international cooperation on capital formation for industry, organized with the Umea International Centre for Human Resources Development (Global Forum) at Umea, Sweden, will bring together representatives of bilateral development agencies, United Nations agencies and organizations, international financial institutions as well as individual experts from developed and developing countries. The symposium will examine pertinent issues of international cooperation in IHRD for the coming years, review trends, experiences and emerging challenges of IHRD, and identify new concepts and approaches for effective, targeted and coordinated international cooperation programmes in the coming years of accentuated globalization. The recommendations of the symposium will play an important role in refining the new orientation of the UNIDO IHRD programme.

8. The Umea symposium recommendations will also contribute to enhancing the role of IHRD for industrial growth and competitiveness and for building up efficient industrial support services to recipient countries. The identification of IHRD needs of developing countries and countries with economies in transition is being accentuated as an intrinsic aspect of the programme and project formulation process. Practically all preparatory assistance and TSS-1* activities emphasize the identification of IHRD needs, especially in respect of counterparts to be trained. Industrial sector programme review missions also help to identify IHRD needs.

9. Examples of activities aimed at strengthening industrial training institutions and associations are provided in the *Annual Report of UNIDO 1996* (IDB.17/10, chap. III.D), as are efforts to refine and apply the IHRD operational instruments initiated in 1995.

10. Considerable work has been accomplished addressing South-South cooperation. Details are provided in the *Annual Report of UNIDO 1996* on the training programme conducted for French-speaking African countries held at Tangiers, Morocco. With the support of the Government of India and in cooperation with the Entrepreneurship Development Institute of India, a training programme is planned for Eritrea, Ethiopia, Kenya, Uganda and the United Republic of Tanzania for strengthening of industrial management capabilities at the

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* The TSS-1 facility of UNDP applied during the fifth country programming cycle (1992-1996) was replaced on 1 January 1997 by a new facility entitled SPPD (United Nations system Support for Policy and Programme Development).

enterprise level. Participants will consist of managers of established small- and medium-scale industries (SMIs), potential SMI entrepreneurs and trainers from industrial management institutions.

11. With the support of the Government of Indonesia, two programmes are planned with African centres. The first relates to a workshop on small-scale and energy-efficient brick making technology to be conducted with the Indonesian Institute for Research and Development of Ceramic Industry. The aim is to introduce participants to clay-brick and tile-making technology, especially in respect of small-scale, energy-efficient brick-making technology using simple machinery. The workshop will also promote cooperation among participating countries, focusing on priorities and problems related to technology improvement, product quality, technical advice, technology transfer for improved performance of kilns and forming systems.

12. The second programme relates to a technical course on fermented food processing leading to technology transfer, to increased cooperation between Indonesia and the participating African countries in respect of IHRD in food processing, economic valorization of agricultural commodities, including the utilization of by-products, and to enhanced scientific and trade relations.

13. As regards industrial policies, UNIDO intensified its efforts in promoting the involvement of developing country experts in policy advisory projects, thus transmitting successful experiences to the beneficiary countries. In this regard interregional cooperation was promoted for the exchange of experience in Africa and in Latin America and the Caribbean with the support of the Republic of Korea International Cooperation Agency.

14. South-South cooperation was promoted further by strengthening the skills required for investment promotion. In 1996, for example, UNIDO began implementing a project to support investment promotion in Kyrgyzstan, with funding provided by the Government of Japan, utilizing Philippine expertise. Similar projects are being explored with Malaysia and Mexico.

ACTION REQUIRED OF THE BOARD

15. The Board may wish to take note of the information contained in the present report and provide guidance for further action.

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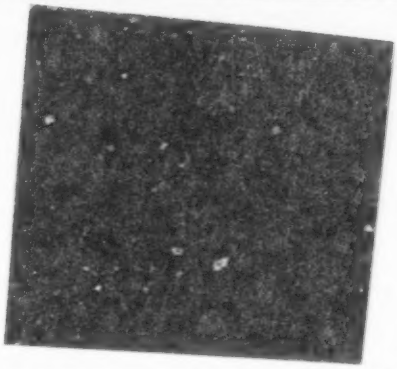

ENVIRONMENTALLY SUSTAINABLE INDUSTRIAL DEVELOPMENT

Report by the Director-General

Summary

Discusses activities and development of environmental management systems in developing countries and provides information on eco-labelling in the context of Agenda 21.

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 2	2
Chapter			
I.	ENVIRONMENTAL MANAGEMENT SYSTEMS	3	2
II.	ACTIVITIES IN SUPPORT OF ECO-LABELLING	4	2
III.	UNIDO CONTRIBUTION TO THE SPECIAL SESSION OF THE GENERAL ASSEMBLY	5	2
IV.	ACTION REQUIRED OF THE BOARD	6	2

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Introduction

1. Resolution GC.6/Res.6 focused on the provision of support to technical service institutions and standards bodies in developing countries for effective application of relevant ISO standards, as well as on eco-labelling requirements. The present document reports on the implementation of that resolution, and will be updated in an addendum to be issued to the seventh session of the General Conference.

2. Under the component programme for environment-related industrial norms and standards for 1996-1997, the component team proposed separate work programmes for environmental management systems and eco-labelling.

I. ENVIRONMENTAL MANAGEMENT SYSTEMS

3. Programme activities under the heading of environmental management systems include:

(a) A second survey on the trade implications for industry in developing countries of voluntary international quality and environmental management systems (EMS), to ascertain the extent to which developing countries believe that it is important to conform to these standards and have the capacities to assist small and medium industries to adopt them. In the first survey, undertaken in 1995, developing countries responded that they had only limited information about EMS, but believed that it would be important for their competitive position in selected export markets to utilize EMS;

(b) An expert group meeting on the implications for industry in developing countries of voluntary international quality and environmental management systems. The meeting will be held in September 1997;

(c) General guidelines on EMS for small and medium industrial enterprises in developing countries. The guidelines will be prepared and tested during 1997, and information and promotion material will be available in mid-1997;

(d) Demonstration/training projects on EMS initiated in India;

(e) Seminars in several countries to create awareness for EMS implementation;

(f) A project to build the capacity for EMS implementation in the Czech Cleaner Production Centre and to transfer this experience to other centres.

II. ACTIVITIES IN SUPPORT OF ECO-LABELLING

4. Programme activities under the heading of eco-labelling for the 1996-1997 biennium include:

(a) In March 1997 an informal expert group meeting on international eco-labelling in the leather industry in Vienna was held to discuss and determine the parameters for the establishment of an international eco-labelling committee, as recommended by the Leather Products Panel in August 1995;

(b) A workshop on eco-labelling in the leather sector for South-East Asia to be convened at Madras, India, in October 1997.

III. UNIDO CONTRIBUTION TO THE SPECIAL SESSION OF THE GENERAL ASSEMBLY

5. UNIDO prepared an Agenda 21 information kit for the special session of the General Assembly to review and appraise the implementation of Agenda 21. The kit consists of a video on the UNIDO approach to sustainable industrial development, a brochure describing the UNIDO response to key chapters of Agenda 21, a compendium of case studies of UNIDO projects that illustrate the Organization's implementation of Agenda 21, technical brochures on selected UNIDO programmes, and a report entitled "Sustainable development: the concept and its measurement outlined in an industry perspective", as well as a number of other reference documents related to Agenda 21.

IV. ACTION REQUIRED OF THE BOARD

6. The Board may wish to take note of the information contained in the present document and provide guidance for further action.

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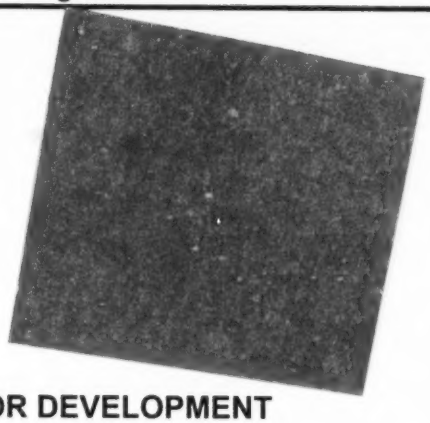

PRIVATE SECTOR DEVELOPMENT

Report by the Director-General

Summary

Provides information on activities of the UNIDO programme for private sector development that have taken place since the sixth session of the General Conference.

CONTENTS

		Paragraphs	*Page*
Introduction		1	2
Chapter			
I.	CONTEXT	2 - 9	2
II.	CONCEPTUAL WORK	10 - 17	3
III.	FIELD OPERATIONS	18 - 28	3
IV.	NETWORKING	29 - 35	5
V.	WORKSHOPS	36 - 37	5
VI.	MANAGEMENT TRAINING	38 - 39	5
VII.	ACTION REQUIRED OF THE BOARD	40	6

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Introduction

1. In its resolution GC.6/Res.9, the General Conference requested the Director-General, in the implementation of the UNIDO programme for private sector development, industrial restructuring, rehabilitation and modernization, to carry out a wide spectrum of activities. These activities range from strengthening advisory services, exploring the feasibility of regional network programmes and to take duly into account the need for a more vigorous private sector development in the implementation of the Second Industrial Development Decade for Africa. The present document is submitted in compliance with paragraph 2 of resolution GC.6/Res.9, in which the Director-General is requested to report on the implementation of that resolution to the seventh session of the General Conference through the Industrial Development Board.

I. CONTEXT

2. Nearly all countries recognize the role of the private sector and of competitive markets in efficient resource allocation and in generating national income in a globalized world economy. The ability to compete in national as well as international markets is the hallmark of a successful private enterprise and the paramount prerequisite for sustainable economic development.

3. The changed emphasis in development strategies—from reliance on public sector manufacturing and import substitution to private sector entrepreneurship and open economies—means a radical shift in the role of government agencies in many developing countries and countries with economies in transition. Their number will decline, and the size of those that remain will decline, but their new task to support a viable and sustainable private sector will be ever so important.

4. The countries with economies in transition are confronted with special problems in this respect. Decision makers are unaccustomed to rapid economic change and the need to be flexible and innovative. Government agencies are not prepared for partnerships with an independent business community and trade unions. There is a great deal of uncertainty about the most effective way to handle privatization. The industrial information system, based on statistics on material products, can no longer be used; it must be replaced by a system based on value added. Commerce with other countries must be reoriented to a multilateral base where price, quality, reliability, and after-sale service reign supreme.

5. The reorientation of government agencies requires several stages of action. First, overall responsibilities must be established. Branch-specific ministries (heavy and light industry, for example) are impractical in a market economy. Relationships among key ministries must be re-worked to correspond to new demands on the public sector as a facilitator and supporter rather than as an economic agent. Long-term strategic thinking will replace rigid planning. This requires a capacity for monitoring global industry and trade trends. Small- and medium-scale firms will require policy support, whereas direct involvement in production by the public sector through often large public enterprises will largely disappear through a multitude of privatization schemes. At times, a special transitional agency is required to handle the privatization. Management responsibilities in what remains in the public sector must be redefined. Different roles demand different skills and mentality. Externalities in the market-place must be monitored and controlled. A dialogue between all the stakeholders must be developed, and institutionalized in one form or another.

6. UNIDO support to the development of the private manufacturing sector focuses on three levels: government policy-making; institutional capacity-building; and entrepreneurial and technological capability. It reinforces training in management and decision-making and it assists in the elaboration of national and regional policies to contribute to the fostering of a conducive business climate.

7. The scope of the Organization's assistance is determined by demand for its services from developing countries and countries with economies in transition, the supply capacity of UNIDO, and the availability of financial resources. Activities are focused on:

(a) Services in support of industrial development strategies, policies and programmes, as well as related institution-building;

(b) Capacity-building that concentrates on increasing the ability of (i) Governments and regional bodies to formulate and implement industrial strategies, and (ii) private sector organizations to deliver services to industry and participate in the national dialogue on industrial and regional policy.

8. The main services offered by UNIDO are related to: industrial policy formulation and implementation; interactive policy formulation arrangements; regional development; seminars on the functioning of market economies; industrial restructuring; organizational enhancement of government agencies; industrial estates; science and technology parks; export processing zones; and management training.

9. All through the biennium, special emphasis has been placed on a more vigorous private sector develop-

ment in Africa. Significant initiatives and projects are reflected in the sections below.

II. CONCEPTUAL WORK

10. To further develop its approach to private sector support, and to adapt its operational activities in this area, UNIDO undertakes conceptual work that takes the form of internal seminars, participation in appropriate events organized by others, occasional analyses and papers, and publications.

11. The overall approach towards enabling both Governments and private sector organizations to function in their new roles in a competitive and open economy and to engage in a policy dialogue has been described in a publication entitled *Interactive policy formulation*. This publication also functions as a manual and as a guideline to develop required capacity-building support projects in the public and private sector.

12. UNIDO has developed a concept for regional industrial development agencies—supportive, autonomous institutions that stimulate local interaction and networking, and provide access to market information and technological know-how. A paper on regional industrial development authorities was presented at the Economic Forum for the Regions of Europe for Economic Cooperation, Security and Sustainable Development, sponsored by the Council of Europe. A project concept on "rebuilding nations: Stimulating regional and local industrial development in transitional economies", was elaborated and submitted to the United Nations Development Programme (UNDP) for consideration. The concept is being considered for financing to enable the launching of a joint UNIDO/UNDP programme on regional development in countries with economies in transition.

13. The Vietnamese Ministry of Planning and Investment, with the support of UNIDO, developed a decision-making tool to monitor the Government's impact on the course of industrial development in a market system by means of tariff and fiscal incentives.

14. In 1996, UNIDO published *Export processing zones: Principles and practice*. The document has been distributed to regional development offices, industrial organizations and governmental agencies, among others, in developing countries and countries with economies in transition. Work has begun on the development of a system for (self) assessment, quality improvement and certification of science parks (called the AQC programme). Linked to this programme are specially designed programmes for knowledge development and training, and a handbook containing guidelines for the creation and operation of science parks.

15. Throughout 1995 and 1996, UNIDO commissioned a series of studies on industrial estates to form the base for a new publication entitled *Industrial estates: Principles and practice* that will be published in 1997. Among concrete projects under the category of industrial estates are drafting the law on free economic zones under which the Sumgait Special Economic Zone will be constituted, support to Yemen Free Zones Development, and a feasibility study of an industrial free zone in Benin.

16. A document entitled *Recent experiences with alternative forms of privatization: Case studies and a synthesis with a focus on the role of Government* was published to illustrate what specific objectives, in addition to turning over assets to the private sector, can be achieved through or in connection with an act of privatization; what external, macroeconomic and other conditions are critical for the success of privatization; and what macroeconomic conditions have to prevail before privatization itself and its various associated objectives can be expected to be achieved.

17. In cooperation with a commercial publisher, a book was edited and published by UNIDO entitled *Industrial economics for countries in transition*. This conceptual work builds on empirical evidence accumulated during UNIDO work in Eastern Europe and in the Asia and Pacific region.

III. FIELD OPERATIONS

18. UNIDO also undertakes a number of advisory services and other projects, in cooperation with government agencies and often private sector organizations, to lend support to the development of a strong and sustainable private sector in recipient countries. Such services and projects aim at creating an enabling environment for industrial development in general and regional development in particular. A fact-finding situation analysis coupled with conceptual work at the outset, the involvement of the stakeholders in all phases, and the creation of a true feeling of ownership are key features in all such operations. Sustainability is the aim.

19. After the successful completion in 1995 of Phase 1A of a project to restructure and revitalize the Kaliningrad region of the Russian Federation, phase 1B was embarked upon. In this phase, the strategies developed will be implemented and practical programmes for the restructuring of selected industrial enterprises will be elaborated. A number of training workshops for managers

are being held. A new industrial policy for the region will be drawn up and a regional development agency will be established to implement the policy.

20. The primary objective of the support programme for the industrial development of the Sumgait region of Azerbaijan (phase II) is to create an environment conducive to industrial regeneration and development of the industrial city of Sumgait through direct foreign investment while satisfying the demands of domestic investors. Strong interest in the project has also been shown by UNDP, which is funding the project, and a number of donor countries as well as from other countries in the Caucasus region. Thorough studies of industrial development possibilities and investment opportunities have been carried out and the required legislation for a special economic zone has been drafted and passed the first reading in parliament. The Sumgait Development Agency is being set up and will be inaugurated in June. An environmental programme is being prepared.

21. UNIDO is providing high-level advisory services to the Government of the Republic of Moldova on the transforming of that country into a market economy. A strategy for the development of the private sector has been developed and, based on this, a new industrial policy was drafted and discussed at a round table meeting with participation from the Government, UNIDO, the World Bank and representatives from neighbouring countries.

22. The Southern African Development Community (SADC) Secretariat asked UNIDO to participate in a study on industrial development in the region, focusing on the harmonization of industrial policies, reducing intra-trade imbalances, and improving the competitiveness of the manufacturing firms in the SADC region.

23. The UNIDO CompStrat[a] method, developed by UNIDO and the Instituto Tecnológico y de Estudios Superiores de Monterrey, Mexico, has been used to enhance the competitiveness of certain industrial branches in Costa Rica. The method is based on a cluster analysis using enterprise-level data, and includes holding a series of workshops. The CompStrat[a] software generates an industry profile that describes the attractiveness of the industrial branch in question, its competitive position, and the arena in which the enterprises must compete. In the end, the individual firms participating in the entire process are provided with specific strategies to enhance their competitiveness. A similar approach is now under way for Panama.

24. In Côte d'Ivoire, UNIDO assisted the Government in thoroughly revising the existing industrial master plan to account for the recent devaluation of the FCFA and the changed position of the country's export commodities. The analyses will provide a review of the competitiveness of the major industries and constitute the basis for the development of market-oriented instruments to strengthen governmental capacity to service the private sector.

25. The Organization has several ongoing programmes that contribute significantly to overall efforts to assist in the development of competitive, sustainable private sectors in developing countries and countries with economies in transition. The UNIDO high-impact programmes for development of entrepreneurship for women directly addresses the problems and constraints faced by women entrepreneurs with the objective of improving their competitiveness. The clients of this programme include Governments that adopt programmes to support the economic role of women in the development process, including women's entrepreneurship, and local institutions that want to strengthen their capacities to provide the services required by women entrepreneurs.

26. Programmes—all are country- and industry branch-specific—have been formulated for Ethiopia and Mali; in the latter country, a project is already under way (see also document GC.7/8-IDB.17/3, para. 8). New ones, always beginning with a preparatory mission and a needs assessment, and the establishment of necessary partnerships with other, concerned United Nations agencies and donors, have been initiated in Côte d'Ivoire, Morocco, Senegal and Zimbabwe. In China, the township and village enterprises, small- and medium-scale collective businesses run by individuals and/or local authorities, have gained special importance in the economic readjustment programme of China. A large number of women entrepreneurs and managers work in these enterprises. UNIDO has launched a tailor-made training programme through which modern management techniques are taught, thus helping women to adapt to economies that are changing towards increased private ownership and initiative.

27. Under the training programme for women entrepreneurs in the food-processing industry, there are two ongoing projects in Africa — in the United Republic of Tanzania and in Botswana. Building on the successful, initial African model, new versions have been adapted for Latin America and Asia and projects under this programme are now ongoing in Guatemala, Honduras, Nicaragua and Viet Nam.

28. A new thematic programme concept called women entrepreneurs for industrial growth has been developed. This programme aims at a direct impact on the integration of women into industrial development, on the development of the small-scale industrial sector, as well as indirectly on poverty alleviation. Under this programme, there are current projects in Kenya and the United Republic of Tanzania.

IV. NETWORKING

29. In 1996, UNIDO, in cooperation with the World Bank and the Economic Commission for Africa, considered the possibility of establishing a privatization network for Africa. Demand was expressed and in November 1996, a conference was organized to create the African Privatization Network (APN).

30. The Network is expected to stimulate privatization in the region by allowing the privatization agencies themselves to determine the type of technical assistance they require. The assistance would then be rendered and it is ultimately expected to develop a region-specific model for privatization. Technical assistance activities would eventually include the following: the organization of technical workshops for middle-level privatization agency managers; publication of material on issues of common interest; sharing and eventual translation of legislation or other documentation of interest to other countries; establishment and maintenance of joint databases and reference material; commissioning of studies or evaluations, and the convening of meetings for privatization agency heads to discuss and debate issues related to privatization.

31. UNIDO is currently in the process of formulating a project document in this connection. Expected outputs are the organization of a regional technical workshop and assistance to APN in the publication of a privatization newsletter.

32. In addition to APN, UNIDO is currently organizing a private sector forum for Africa. Industrial development in Africa is not only a concern of the public sector; to a greater extent, it is a concern of the private sector. Meetings during which the future of any industrial strategy for Africa is discussed, such as meetings of the Conference of African Ministers of Industry (CAMI), cannot ignore the crucial role that the private sector plays, and thus should include participation of representatives of the private sector. The constraints to private sector development have been, among others, the lack of involvement of private sector actors in the shaping of industrial or economic strategies for the continent.

33. The forum will concentrate on making the private sector a part of regional decision-making and is fully in line with UNIDO's overall endeavour to promote partnerships between public and private sector entities from both African and non-African countries.

34. In cooperation with the African Business Round Table, the West African Enterprise Network and the African Federation of Women Entrepreneurs, UNIDO invited 25 African businesswomen and men representing small-, medium- and large-scale enterprises to attend the forum. Conclusions of this meeting will be presented to the African Ministers of Industry during the thirteenth session of CAMI. The Forum will furthermore be coordinated with the current activities of the UNIDO International Business Advisory Council.

35. The outcome of the Forum is expected to be an enhanced public-private partnership in Africa and the inclusion of the private sector as a group in regional decision-making processes.

V. WORKSHOPS

36. In developing a competitive and sustainable private sector in countries that have hitherto been dominated in many ways by the public sector, a meaningful dialogue between the public and the private sectors is crucial. To introduce ways and means to carry out such a dialogue, UNIDO held training workshops in Ghana, Kenya, Sierra Leone and Uganda.

37. In Latin America, a strong interest exists in the lessons to be learned from the industrial successes of the East Asian countries, especially the Republic of Korea. Recognizing this, UNIDO organized a series of workshops and seminars where the industrialization experiences of South-East Asia, Latin America and the Organization for Economic Cooperation and Development (OECD) countries were compared and discussed. In Uruguay, a team of Korean, Chilean and Spanish experts participated in a seminar organized to promote an effective dialogue between the Uruguayan Ministry of Industry, Energy and Mines and the private sector. In Peru, public and private policy makers from 16 Latin American countries took part in a four-day conference on the industrialization strategy of the Republic of Korea, organized by UNIDO together with the Korean International Cooperation Agency. In Mexico, the private sector national federation of industries (CONCAMIN) requested UNIDO to make presentations at its annual meeting on comparative industrialization experiences.

VI. MANAGEMENT TRAINING

38. Strengthening the capacity of public and private sector institutions and enterprises demands that managers have access to appropriate management tools and techniques necessary to ensure the sustainable growth of an organization. UNIDO responds to management training needs of its client countries at the regional and country level and addresses specific management issues relevant at the branch level, including significant gender-specific challenges.

39. UNIDO is involved in support to management training. To improve and upgrade the technical and

management competence of entrepreneurs in the Democratic People's Republic of Korea, UNIDO established the first business school in the country. The Rajing Business Institute will deliver basic skills development activities in business, finance and management covered under courses in 12 different technical areas. Training for managers from industrial firms has been conducted under the UNIDO regional projects in Azerbaijan and the Russian Federation (Kaliningrad). Without such training it often is very difficult for such managers from countries with economies in transition to adapt quickly enough to the demands of a competitive, private market.

VII. ACTION REQUIRED OF THE BOARD

40. The Board may wish to take note of the information provided in the present document.

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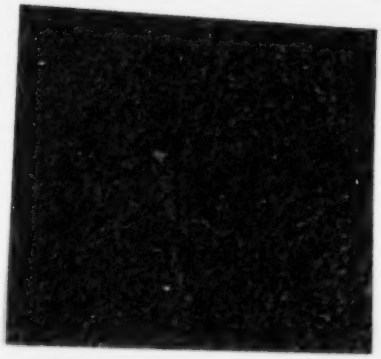

THE REGIONAL DIMENSION: ARAB COUNTRIES PROGRAMME FOR INDUSTRIAL DEVELOPMENT INCLUDING TECHNICAL ASSISTANCE TO THE PALESTINIAN PEOPLE

Report by the Director-General

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 2	2
Chapter			
I.	REGIONAL ACTIVITIES	3 - 5	2
II.	ASSISTANCE TO THE PALESTINIAN PEOPLE	6	2
III.	COOPERATION WITH REGIONAL DEVELOPMENT INSTITUTIONS	7 - 8	3
IV.	ACTION REQUIRED OF THE BOARD	9	3

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Introduction

1. The present document is submitted in compliance with resolution GC.6/Res.12 adopted by the General Conference at its sixth session. The text should also be considered in conjunction with the information provided in the *Annual Reports of UNIDO 1995 and 1996* (IDB.16/10 and IDB.17/10, chap. V.C).

2. In considering the information provided in the report it should be noted that special efforts have been made to maintain close consultations with Permanent Missions. In compliance with resolution GC.6/Res.12, and to build up confidence, official contacts have been routed through the Permanent Missions. Secretariat staff have maintained regular informal contacts with the Vienna-based Permanent Missions.

I. REGIONAL ACTIVITIES

3. In an effort to ensure a firmly based, well co-ordinated and impact-making regional industrial development strategy, a programming strategy was prepared in 1995 UNIDO support of industrial development in the Arab region, based on which UNIDO activities focused on the following areas in 1996:

(a) Industry-related services;

(b) Total quality management and ISO 9000;

(c) Restructuring and performance improvement in the iron and steel sector;

(d) Industrial project preparation, evaluation and computer applications for feasibility analysis and reporting;

(e) Development of the agro-related metalworking sector;

(f) Cooperation in the production of machine tools in the Gulf subregion.

4. These activities were carried out in cooperation and coordination with the Gulf Cooperation Council, Arab Iron and Steel Union (AISU), the United Nations Economic and Social Commission for Western Asia (ESCWA) and the Arab Industrial Development and Mining Organization (AIDMO). The following are some examples of specific regional activities:

(a) The main objectives of a workshop on restructuring and performance improvement in the iron and steel sector of Arab countries were to prepare AISU for a large-scale regional restructuring study and to upgrade the managerial experience and knowledge of steel plant and AISU representatives. Areas covered included business planning, marketing, quality assurance, information systems, environment, energy and human resources, all of which are indispensable components in the effort to upgrade the region's iron and steel industries.

(b) The development of the agro-related metalworking industry is one of the highest priority areas in Arab countries. In close cooperation with AIDMO, UNIDO prepared and conducted a regional workshop in this field. The main objectives were to identify investment opportunities in the agro-related metalworking industry; to propose ways and means of improving the efficiency of existing factories and workshops in the Arab region; and to provide recommendations regarding the possibilities and steps to be taken to achieve the required integration and coordination between existing agro-metalworking industries.

(c) In 1996 UNIDO undertook a regional project related to the development of industry-related consulting services in Algeria, Morocco and Tunisia. The project assisted the Ministries of Industry and relevant government institutions in the formulation of a medium-term programme to enhance national project execution capabilities through the development of industry-related consulting services; the preparation of national institutional frameworks coordinating the various government bodies and institutions (including business and industry associations) having an influence on, or an interest in, the development of consulting/engineering services; and the definition of the technical assistance requirements of such programmes as well as the identification of potential sources for their financing.

5. UNIDO has proposed the convening of a high-level regional meeting on enhancing industrial cooperation among the Arab countries. One country is now considering the possibility of hosting the proposed meeting in 1997, which would also be subject to the availability of the required resources.

II. ASSISTANCE TO THE PALESTINIAN PEOPLE

6. Within the framework of the UNIDO programming strategy for services to the Palestinian people, three projects were under implementation in 1996. They cover the promotion of renewable energy applications, development of local building materials and the construction industry, and support to the development of industry associations. In cooperation with the Palestinian Authority, UNIDO developed four full-fledged project documents in 1996 covering the following areas of cooperation:

(a) **Support to the establishment of the Palestine Standards Organization** - The project would strengthen the newly-established standards and specifications body by providing a nucleus of standards and metrology calibration facilities, with the capability to implement the Standards Council's policy in promotion of the quality of production for internal consumption and for export.

(b) **Establishment of the Palestine Fashion Design and Technology Centre** - The project aims at upgrading the performance of the Palestinian garment industry through the establishment of a Fashion Design and Technology Development Centre in Gaza, which will support the industry in diversifying its product ranges, economizing its material consumption, improving its productivity and overall product quality, and strengthening the capabilities of staff. Through this support, more value added is expected for the garment industry, leading to increased exports of ready-made garments.

(c) **Establishment of a Biomedical Equipment Repair and Maintenance Centre** - One constraint in the health sector in the West Bank and Gaza Strip is the lack of functioning medical equipment. The project aim is to establish a local Biomedical Equipment Repair and Maintenance Centre capable of carrying out repair, maintenance and calibration of medical instrumentation and devices, electronic measuring equipment, analytical instrument and electrical/electronic equipment. The Centre will be a source of expertise for maintenance, technical training, support for other hospital sites and users of medical devices in the West Bank and Gaza Strip.

(d) **Support to the plastics industry in Palestine** - The main objective of the project is to solve problems of the plastics industry, i.e. low quality, low productivity and efficiency, lack of trained personnel, lack of global information, poor knowledge of products, and lack of adequate technology both for production and quality control. This results in large quantities of plastics waste, plastic products of relatively short life and pollution of the environment. The project will create capability to assist the industry through testing, training, processing, information services, recycling and plastics waste management.

Funding is being sought for the above projects.

III. COOPERATION WITH REGIONAL DEVELOPMENT INSTITUTIONS

7. In early 1997, the Director-General visited the Islamic Development Bank with the objective of defining and establishing practical modalities for cooperation between UNIDO and the Bank for the benefit of Islamic countries, and to review the UNIDO relationship agreement with the Bank. This was followed up by a visit of the Officer-in-Charge of the Arab Countries Bureau, to the Bank in May 1997. These two visits have resulted in a clear understanding of the modalities and main sectors for future UNIDO cooperation with the Bank, including the identification of a large number of concrete joint activities.

8. Through his contact with the Secretary-General of the League of Arab States, the Director-General has initiated a proposal for annual meetings with the League to foster sustainable industrial development in the Arab States and to strengthen regional industrial cooperation. Regional organizations such as the Gulf Cooperation Council and AIDMO, as well as development finance institutions, should participate in the proposed meetings, the first of which is expected to take place towards the end of 1997, in conjunction with a planned regional meeting of Ministries of Industry of Arab States.

III. ACTION REQUIRED OF THE BOARD

9. The Board may wish to take note of the information provided in the present document.

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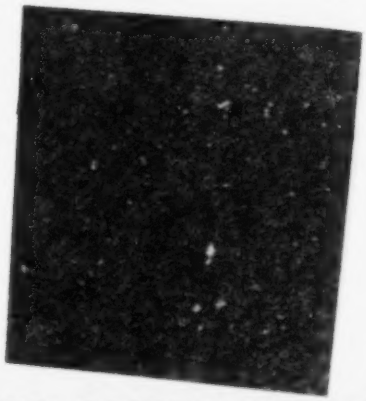

THE REGIONAL DIMENSION: REGIONAL COOPERATION PROGRAMME FOR THE INDUSTRIAL RECOVERY OF LATIN AMERICA AND THE CARIBBEAN

UNIDO activities in Latin America and the Caribbean

Report by the Director-General

Summary

Provides information on UNIDO activities in the region, with particular reference to industrial development policies and strategies and promotion of cleaner industry, and on regional and subregional activities.

CONTENTS

		Paragraphs	*Page*
Introduction		1	2
Chapter			
I.	INDUSTRIAL POLICIES AND STRATEGIES	2 - 5	2
II.	PROMOTION OF CLEANER INDUSTRY	6 - 7	2
III.	OTHER ACTIVITIES	8 - 14	2
IV.	COORDINATION WITH MEMBER STATES	15	3
V.	ACTION REQUIRED OF THE BOARD	16	3

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Introduction

1. In response to resolution GC.6/Res.14 adopted by the General Conference at its sixth session, the Latin America and Caribbean programme has concentrated on the activities, projects and programmes described in the following paragraphs.

I. INDUSTRIAL POLICIES AND STRATEGIES

2. With a generally improved macro-economic environment in the countries of the region, a renewed emphasis has been given to the achievement of industrial competitiveness. While industrial policy has generally moved away from industrial targeting, there is a need for a strategic vision to guide the development of the industrial sector and its component subsectors, as well as for the establishment of a policy context, and an institutional and administrative framework which facilitates the development of small and medium industries (SMIs). The development of small and medium enterprises (SMEs) is an important component of strategies to reduce poverty in Latin American countries. To help address the need for support in strategy formulation, UNIDO held seminars in Montevideo and Lima, from 5 to 8 August 1996, that provided information and assessments of industrial strategies and policies which have been successfully implemented in other regions. Through the project "Programa VISION 2020", UNIDO also contributed to the development of a medium-term national industrial strategy in Mexico. This work was undertaken in close cooperation with Mexico's National Chamber of Industry. Similar work was carried out with the Ministries of Industry in Bolivia, Haiti, Honduras and Panama.

3. For the Mercosur countries and in cooperation with the Inter-American Development Bank, UNIDO has begun the formulation of a technical cooperation programme aimed at enhancing the competitiveness of agro-industrial SMEs. After finalizing an assessment of the region's industrial competitiveness in food production and distribution, SMEs will be selected and promoted in a range of subsectors. The programme aims at improving the quality of products, increasing productivity and generally enhancing the competitiveness of such firms by integrating the attainment of consumer satisfaction with efficiency and profitability. The programme will include an assessment for the application of product certification procedures and the quality system.

4. In a separate initiative, issues of food safety were evaluated in four Central American countries. This work was based on the approach applied in the high-impact programme on the application of quality principles to the food-processing sector in African countries. Following this preparatory work a project covering the four Central American countries was elaborated for which financing is being sought.

5. A programme was initiated in early 1996 to strengthen industrial investment cooperation in the Andean Pact subregion. The programme will be carried out in close cooperation with the Andean Finance Corporation (CAF). A project document was prepared by a UNIDO consultant and presented to CAF for consideration. The main objective is to improve the quality of industrial investment projects in order to enhance business cooperation within Andean Pact countries.

II. PROMOTION OF CLEANER INDUSTRY

6. UNIDO has already helped to establish National Cleaner Production Centres in Brazil and Mexico. Strong interest has been expressed by other Governments in the region for the expansion of the programme. The opportunities available for such expansion are currently under study. Such centres are headed by a national director, who creates a network of people and organizations in the country with knowledge of cleaner industrial production. In addition to providing assistance to policy makers, the centres also seek to initiate application of the concept in companies and undertake demonstration projects, training and dissemination of information. Work continued in the environmental field at the project level, for instance in the project on waste minimization demonstration and policy advice in Ecuador. Funded by the United Nations Development Programme, the purpose of this project is to provide advice on promoting industrial eco-efficiency and competitiveness for Ecuador's Presidential Environmental Advisory Commission, the Ministry of Industry and the Chamber of Industry. The project has sought to demonstrate, in a selected subsector, that waste minimization is possible in the short term and that it has financial as well as environmental benefits.

7. In response to the growing demand for assistance to the artisanal mining sector, UNIDO presented in 1995 the high-impact programme for introducing new technologies for abatement of global mercury pollution. UNIDO provided assistance to Venezuela in introducing new technologies to reduce the environmental impact caused by mercury pollution.

III. OTHER ACTIVITIES

8. Within the framework of regional and subregional integration agreements UNIDO initiated activities for the development of a joint UNIDO/Mercosur programme. UNIDO's role in providing assistance in the formulation of policy was increasingly recognized and related projects have been implemented in the region. UNIDO activities in the Andean Pact countries are mainly concentrated on support strategies in the field of SMEs, agro-industries,

textile industries and implementation of the Montreal Protocol.

9. Work has continued on the regional programme for the development of industrial subcontracting in Latin America. The emphasis is now on consolidating subcontracting efforts at the regional level. To this end, among other activities, two regional subcontracting fairs are held yearly. The overall objective has been to establish a regional system of industrial subcontracting covering Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Mexico, Paraguay, Peru, Uruguay and Venezuela. The project has designed and developed standard technical, economic, commercial, informatics and legal instruments necessary for the establishment of a regional system, and has given assistance to national counterpart institutions in establishing subcontracting and partnership exchanges (SPXs). The project has also set up a regional network of computerized SPXs. To date 28 SPXs have been established and industrial surveys on subcontracting capacities have been completed. Relevant software has been developed by UNIDO and transferred to all participating countries. Surveys have been undertaken on the legal, tax and customs problems encountered in international subcontracting operations, and model contracts for subcontracting agreements have been drafted. The national delegations to the programme also adopted UNIDO's proposal for the creation of a Latin American association of subcontracting exchanges. Subcontracting is also the focus of a programme initiated under trust fund arrangements to establish a subcontracting network in Colombia.

10. Within CARICOM (the Caribbean Community) UNIDO has initiated a programme to assist SMEs in the region to increase their role as suppliers of inputs to the region's rapidly expanding tourism sector. Several national surveys were completed during 1996 and the programme will be expanded to other countries of the region and some Caribbean islands. Close cooperation is foreseen with agencies working in this field, such as the World Tourism Organization and the Caribbean Tourism Organisation. Preparations have begun for a related investment meeting to be held in the second half of 1997.

11. Regional projects fulfilling the quality criteria for donor financing have been developed. A pilot project carried out in the field of women's participation in the manufacturing sector, which was implemented in Colombia in 1996, attracted the interest of potential donors for similar programmes, one of which is now being developed for Mercosur countries. Other projects are being elaborated for submission to the Global Environment Facility in the area of efficient industrial use of energy.

12. Within the framework of the regional programme for the agenda for industrial modernization in Central America, a set of technical cooperation projects was developed in cooperation with national chambers of industries from the countries of the subregion. Other programmes were initiated to strengthen economic cooperation among the countries of the region and Mexico, particularly in the field of technology and investment promotion. Assessments were made for the design of national/regional strategies for SME sectoral networking. This work, funded from the UNIDO regular budget, aimed at identifying and assessing the required conditions and the actions to be taken for the design and implementation of national and regional strategies for the organization and development of sectoral clusters of SMEs. In addition to country-specific seminars, surveys were undertaken of the SME sector, ongoing SME programmes, and institutions and associations addressing SME requirements. The findings of these surveys were analysed with representatives of local associations of entrepreneurs, national authorities and SME institutions.

13. UNIDO received a request from Peru to carry out a second phase of a project on privatization to be financed by Japan. Further assistance is being provided in investment promotion to ICSA (Inversiones COFIDE S.A.) through a project which is scheduled to start in June 1997. During the Director-General's visit to Peru in August 1996 the Government requested UNIDO assistance to develop an industrial support strategy. A document has since been prepared on a UNIDO-Peru cooperation framework. Agreements have been signed with the Government of Argentina to carry out projects in which UNIDO will assist in the development of regulatory frameworks in the mining and automotive industries, and within the privatization processes in Peru.

14. The investment promotion forum for sugar and sugar-related industries for GEPLACEA (the Group of Latin American and Caribbean Sugar Exporting countries) member States was held in 1996 with the main objective of expanding industrial production and industrial cooperation with foreign enterprises.

IV. COORDINATION WITH MEMBER STATES

15. Frequent meetings with representative of the Group of Latin American and Caribbean Countries (GRULAC) were carried out at UNIDO Headquarters. A detailed briefing was given in February 1997 and informal consultations with the Vienna-based Permanent Missions took place frequently. As agreed with GRULAC, the envisaged regional meeting for the purpose of reporting on progress made and to present further goals for reorientation will be organized within the framework of the Regional Forum on Industrialization in Caracas in July 1997.

V. ACTION REQUIRED OF THE BOARD

16. The Board may wish to take note of the information provided in the present document.